

BCA

Addendum to:
“California LifeLine Program
Compliance Audit”

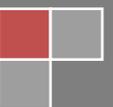
For the year ended June 30, 2010

CuraTel, LLC

Dated July 19, 2012

For the Years Ended
June 30, 2009 and June 30, 2011

December 11, 2013



December 11, 2013

Ms. Tracy Fok
Utility Audit, Finance, and Compliance Branch
California Public Utility Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: CuraTel, LLC – California LifeLine Program Compliance Audit - Report on Optional Services

Dear Ms. Fok,

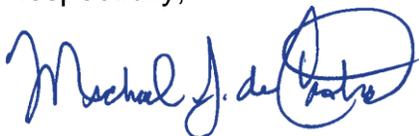
Attached is our report on the California LifeLine Program Compliance Audit optional services performed for CuraTel, LLC for fiscal years 2008-2009 and 2010-2011.

As detailed in the attached report, we determined that CuraTel, LLC over claimed PUC user fees by \$3,720.85, operating expense reimbursements by \$4,922.61 and bad debt costs by \$3,342.25; for a total of \$11,985.71. CuraTel LLC also submitted a claim for bad debts for \$13,512.80 for December 2010 through March 2011 that was not paid. The unpaid re-casted bad debt claim for this period was \$11,486.40. We offset the over-claimed amount of \$13,512.80 with the unpaid re-casted amount and calculated interest of \$3.10 on the net amount due of \$499.31.

We recommend that CuraTel, LLC refund \$502.41 (\$499.31+\$3.10) to the California Public Utilities Commission (See summary of over claimed costs and fees – Attachment IV).

If you should have any questions or comments regarding this report or our results, please contact me anytime at (310) 792-4640 x110 or via email at mdecastro@baziliocobb.com.

Respectfully,



Michael J. de Castro
Principal

California LifeLine Program Compliance Audit

Addendum

CuraTel, LLC

Funding Years 2008-2009 and 2010-2011

CuraTel LLC (CuraTel) was reimbursed for over-claiming California Public Utilities Commission (CPUC) User Fees, operating expenses, and bad debt costs of \$11,985.71 (see Attachment IV) in its California LifeLine claims for fiscal years (FY) ending June 30, 2009 and 2011. CuraTel also submitted a claim for bad debts for \$13,512.80 for December 2010 through March 2011 that was not paid. The unpaid re-casted bad debt claim for this period was \$11,486.40. The net over claimed amount is \$499.31 (\$11,985.71 - \$11,486.40). CuraTel should refund \$502.41 (\$499.31 in over-claimed costs plus \$3.10 in interest due) to the LifeLine Fund.

BACKGROUND

BCA executed an agreement with the CPUC to perform compliance audits of six carriers' California LifeLine Program claims and reimbursements for July 1 2009 through June 30, 2010.¹ BCA examined CuraTel's compliance with the applicable requirements of the CPUC's Procedures for Administration of the Moore Universal Telephone Service Act and General Order (GO) 153. On July 19, 2012, BCA issued its audit report regarding CuraTel's compliance.² In addition, BCA was tasked to perform optional services to expand any monetary findings to additional fiscal years.

SCOPE

The scope of work for optional services was to apply the following audit findings with monetary impact from the audit report issued on July 19, 2012 for CuraTel to FY 2008-2009 and 2010-2011.

Audit Finding 002

CuraTel incorrectly calculated its reimbursement for the CPUC User Fees included in its monthly claim forms for the year ended June 30, 2010. CuraTel calculated the reimbursement for these fees on an incorrect base by including End User Common Line (EUCL) unrecovered revenue in the base. Per GO 153, § 9.3.5.1, the EUCL charges are not part of the base to be used for calculating the CPUC User Fees.

Audit Finding 003

CuraTel used the operating cost factor method for claiming reimbursement for operating expenses on its monthly California LifeLine claims during the year ended June 30, 2010. In calculating the operating expense reimbursements, CuraTel used the correct cost factor of \$2.51 per customer per month, but did not multiply this factor by its correct weighted-average number of California LifeLine customers. Instead, CuraTel multiplied the cost factor by the total number of eligible California LifeLine customers. According to the CPUC's instructions for the claims form, the operating expense should be claimed based on the weighted-average number of California LifeLine customers reported for the month.

Audit Finding 004

CuraTel did not correctly calculate the bad debt expenses, thereby was over-reimbursed for its bad debt expenses.

¹ CuraTel was one of the six carriers that was included in the audit.

² See BCA's report entitled "California LifeLine Program Compliance Audit For the year ended June 30, 2010 CuraTel, LLC" dated July 19, 2012.

OBJECTIVE

The objective of the optional services was to determine whether:

1. CuraTel excluded (EUCL) charges from its base to calculate CPUC User Fees claimed for reimbursement.
2. CuraTel used the weighted average number of California LifeLine subscribers for each month to calculate operating expenses claimed for reimbursement.
3. CuraTel used the correct tariffs to calculate bad debt costs claimed for reimbursement.
4. If CuraTel used incorrect amounts for any of Items 1-3, determine the monetary impact of each of these items for which CuraTel incorrectly claimed.

METHODOLOGY

BCA confirmed that CuraTel over-claimed its California LifeLine reimbursement during FY 2008-2009 and 2010-2011 by:

1. Including EUCL charges in its base when calculating reimbursement for the CPUC User Fees;
2. Using the total number, instead of weighted-average number, of California LifeLine customers to derive its operating expense reimbursement; and
3. Incorrectly calculating reimbursement for its bad debt expenses.

BCA obtained re-casted monthly claim forms from CuraTel for FY 2008-2009 and 2010-2011 and:

1. Recalculated reimbursement for the CPUC User Fees using the correct base which excluded the EUCL charges;
2. Determined the correct amount of operating expense by multiplying the cost factor of \$1.79 for FY 2008-2009 and \$2.51 for FY2010-2011 by the weighted-average number of California LifeLine customers;
3. Reviewed CuraTel's recast of its bad debt costs and determined that the recast is reasonably accurate.

CONCLUSION

1. CuraTel over-claimed CPUC user fees by **\$3,720.85** for FY's 2008-2009 and 2010-2011 as detailed on Attachment I.
2. CuraTel over-claimed reimbursement of operating expenses by **\$4,922.61** for FY's 2008-2009 and 2010-2011 as detailed on Attachment II.
3. CuraTel over-claimed bad debt costs by **\$3,342.25** for FY's 2008-2009 and 2010-2011 as detailed on Attachment III.
4. Re-casted bad debt claims of **\$11,486.40** for December 2010 through March 2001 were not paid.

California LifeLine Program Compliance Audit
 Addendum
 CuraTel, LLC
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ATTACHMENT I

Schedule of Over Claimed CPUC User Fees

Month/Year	(A) Connection Charges	(B) Allowable Recovery Flat Rate	(C) Total (A) + (B)	(D)	(E) Claimed PUC User Fee	(C) x (D) Audited PUC User Fee	Over Claimed PUC User Fee
Jul 2008	\$66,630.00	\$160,179.38	\$226,809.38	0.0018	\$595.90	\$408.26	\$187.64
Aug 2008	65,052.00	166,016.57	231,068.57	0.0018	606.69	415.92	190.77
Sep 2008	68,064.00	165,329.00	233,393.00	0.0018	609.76	420.11	189.65
Oct 2008	62,226.00	164,264.80	226,490.80	0.0018	622.16	407.68	214.48
Nov 2008	50,874.00	162,847.52	213,721.52	0.0018	597.48	384.70	212.78
Dec 2008	66,330.00	163,460.40	229,790.40	0.0018	627.15	413.62	213.53
Jan 2009	58,710.00	162,667.91	221,377.91	0.0018	610.52	398.48	212.04
Feb 2009	46,866.00	225,490.29	272,356.29	0.0018	590.57	490.24	100.33
Mar 2009	56,082.00	223,689.78	279,771.78	0.0018	688.48	503.59	184.89
Apr 2009	54,720.00	201,136.37	255,856.37	0.0018	665.89	460.54	205.35
May 2009	56,646.00	173,220.85	229,866.85	0.0018	590.55	413.76	176.79
Jun 2009	50,064.00	150,849.74	200,913.74	0.0018	515.69	361.64	154.05
Subtotals (FY 2008-09)	\$702,264.00	\$2,119,152.61	\$2,821,416.61		\$7,320.84	\$5,078.54	\$2,242.30
Jul 2010	\$25,614.00	\$161,450.86	\$187,064.86	0.0018	\$469.85	\$336.72	\$133.13
Aug 2010	26,436.00	150,956.74	177,392.74	0.0018	444.53	319.31	125.22
Sep 2010	29,226.00	151,594.72	180,820.72	0.0018	451.11	325.48	125.63
Oct 2010	30,618.00	150,232.98	180,850.98	0.0018	450.06	325.53	124.53
Nov 2010	25,356.00	150,910.99	176,266.99	0.0018	442.37	317.28	125.09
Dec 2010	30,024.00	150,864.84	180,888.84	0.0018	450.62	325.60	125.02
Jan 2011	32,994.00	152,659.40	185,653.40	0.0018	457.60	334.18	123.42
Feb 2011	39,876.00	168,046.94	207,922.94	0.0018	465.39	374.26	91.13
Mar 2011	33,474.00	199,394.28	232,868.28	0.0018	543.04	419.16	123.88
Apr 2011	29,808.00	200,455.67	230,263.67	0.0018	538.82	414.47	124.35
May 2011	32,076.00	205,718.45	237,794.45	0.0018	555.71	428.03	127.68
Jun 2011	30,270.00	208,898.86	239,168.86	0.0018	559.97	430.50	129.47
Subtotals (FY 2010-11)	\$365,772.00	\$2,051,184.73	\$2,416,956.73		\$5,829.07	\$4,350.52	\$1,478.55
TOTALS	\$1,068,036.00	\$4,170,337.34	\$5,238,373.34		\$13,149.91	\$9,429.06	\$3,720.85

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ATTACHMENT II

Schedule of Over Claimed CPUC Operating Expenses

Month/Year	Cost Factor	Weighted Average	Claimed PUC Operating Expenses	Audit Calculated Operating Expenses	Over Claimed Operating Expenses
Jul 2008	1.79	24631.86548	\$ 44,091.04	\$ 44,091.04	0
Aug 2008	1.79	25304.03223	45,294.22	45,294.22	0
Sep 2008	1.79	25261.69826	45,218.44	45,218.44	0
Oct 2008	1.79	25161.69879	45,039.44	45,039.44	0
Nov 2008	1.79	24976.96553	44,708.77	44,708.77	0
Dec 2008	1.79	25060.13205	44,857.64	44,857.64	0
Jan 2009	1.79	24839.23215	44,462.23	44,462.23	0
Feb 2009	1.79	24847.53236	44,477.08	44,477.08	0
Mar 2009	1.79	24672.69895	44,164.13	44,164.13	0
Apr 2009	1.79	23795.89843	42,594.66	42,594.66	0
May 2009	1.79	20472.46371	36,645.71	36,645.71	0
Jun 2009	1.79	17859.63216	31,968.74	31,968.74	0
Subtotals (FY 2008-09)			\$ 513,522.10	\$ 513,522.10	\$ 0
Jul 2010	2.51	15915.9666	\$ 41,430.06	\$ 39,949.08	\$1,480.98
Aug 2010	2.51	14904.3665	39,115.84	37,409.96	1,705.88
Sep 2010	2.51	14987.4659	39,354.29	37,618.54	1,735.75
Oct 2010	2.51	14881.266	37,351.98	37,351.98	0
Nov 2010	2.51	14963.3334	37,557.97	37,557.97	0
Dec 2010	2.51	14988.5002	37,621.14	37,621.14	0
Jan 2011	2.51	14806.3001	37,163.81	37,163.81	0
Feb 2011	2.51	14650.2661	36,772.17	36,772.17	0
Mar 2011	2.51	14883.3658	37,357.25	37,357.25	0
Apr 2011	2.51	14968.4998	37,570.93	37,570.93	0
May 2011	2.51	15362.3328	38,559.46	38,559.46	0
Jun 2011	2.51	15597.7995	39,150.48	39,150.48	0
Subtotals (FY 2010-11)			\$ 459,005.38	\$ 454,082.77	\$ 4,922.61
Totals			\$ 972,527.48	\$ 967,604.87	\$ 4,922.61

ATTACHMENT III

Schedule of Over Claimed Bad Debt Costs Paid

Month/Year	Bad Debt Costs Claimed	Re-casted Bad Debt Costs	Over Claimed Bad Debt Costs
Jul 2010	\$ 3,796.00	\$ 3,176.06	\$ 619.94
Aug 2010	3,137.20	2,681.00	456.20
Sep 2010	3,939.04	3,336.42	602.62
Oct 2010	4,020.08	3,263.20	756.88
Nov 2010	3,622.80	2,716.19	906.61
Totals	\$ 18,515.12	\$ 15,172.87	\$ 3,342.25

Schedule of Re-casted Unpaid Bad Debt Claims

Month/Year	Bad Debt Costs Claimed	Re-casted Bad Debt Costs	Difference
Dec 2010	3,022.96	2,777.90	245.06
Jan 2011	3,191.88	2,850.34	341.54
Feb 2011	3,723.40	2,938.85	784.55
Mar 2011	3,574.56	2,919.31	655.25
Totals	\$ 13,512.80	\$ 11,486.40	\$ 2,026.40

ATTACHMENT IV

Summary of Over Claimed Costs and Fees

Category	Over Claimed Costs/Fees
Over Claimed PUC Fees	\$ 3,720.85
Over Claimed Operating Expenses	4,922.61
Over Claimed Bad Debt Costs	3,342.25
Total Over Claimed Amounts	\$ 11,985.71
Less: Bad Debt Claims Not Paid	(11,486.40)
	\$ 499.31
Interest Due	3.10 ³
Total Due to CPUC	\$ 502.41

³ To calculate the interest due we used the AA nonfinancial 90-day commercial paper rate as published by the Board of Governors of the Federal Reserve System. We used the average annual rates for each year and calculated interest due (compounded daily) from the date each monthly claim was paid to the date of the report.